CEO and Chairman of Valero Energy Corporation, Bill Klesse, clarifies the position of Varlero Aruba refinery on the BBO

Oranjestad, February 14, 2007-The CEO and Chairman of Valero Energy Corporation, Mr. Bill Klesse ended two days of discussions with Prime Minister Nelson Oduber and Minister of Economics and Finance Nilo Swaen by addressing the press before departing for the airport and Valero Corporate Headquarters in Texas. After several meetings with the ministers, their advisors, as well as the Governor of Aruba and other party leaders in Parliament, he took the brief time to explain Valero's position and concerns about the new tax enacted in Aruba on January 1, 2007 called the BBO, specifically in relation to exports.

Mr. Klesse explained that Valero Refinery Aruba purchases crude oil from oil producing countries; refines it in Aruba and then exports it to their customers. Valero Refinery has eighteen such operations around the globe, and Mr. Klesse began his address by stating that Valero is "very proud to be in Aruba…we are pleased with our operation, our employees, the entire relationship that we have here."

Aside from the initial purchase and startup costs incurred when the refinery opened, since 2004 Valero has invested over 500 million dollars in improving the facility, and has many long term projects on the board. Mr. Klesse explained that because of this substantial investment, and their plans to invest another billion dollars, they have concerns that there will be "a long-term stable economic environment"

The management of Valero Refinery Aruba has a five-year strategic plan for the island, and foreseeing that the BBO would provide some problems in this regard, they approached the Government of Aruba last March in "an effort to reach a mutually beneficial agreement for Valero's tax situation." Concerns for what tax costs Valero will have to face when their ten-year tax holiday ends on December 31, 2010, they met with government officials to offer alternatives to the BBO tax on the export of refined product. Specifically Valero offered to do their "fair share" by giving up their tax holiday four years early in "exchange for certainty that the tax regime going forward." The Government of Aruba rejected this offer in March, and continues to do so today, precipitating Mr. Klesse's present visit and round of discussions.

Mr. Klesse further clarified that Valero is not opposed to charging and paying BBO for their products sold on Aruba, which amounts to a sales tax, but that they are opposed to a tax on exports, particularly petroleum products, a practice that is virtually unheard of anywhere else in the world. Basic economics would deem such a practice as counterproductive to economic growth. For Valero, such a tax creates a "substantial economic disadvantage" to all other refineries competing in a global market. Presently, jet fuel produced in Aruba is competitively priced the same as jet fuel produced and marketed by any other refinery in the world, but the additional tax will force Valero to price it higher, thus losing any competitive edge. As explained by Mr. Klesse, the refinery is a high volume business with a low margin of profit on each barrel. The BBO forces the refinery into a situation "that will make any future strategic investments in the Aruba facility very unlikely."

Another point is also that by signed agreement, Valero Refinery Aruba has a tax holiday through December 31, 2010; hence they are fully exempt from the BBO tax. However, their concerns are for what would happen when the tax holiday ends, and this is what they are presently discussing with the Aruban Government, will they then be subject to both profit tax and BBO? If so, this will create an untenable tax situation, likely the highest of any of their operations, and the Aruban Government has not been definitive in their response to this query. Presently, the uncertainty of what the future will bring will force them to "reconsider all discretionary investments" while negotiations continue.

Valero Refinery Aruba prides itself on its strong relationships with their employees and the community. Mr. Klesse informed the press that an economic study shows that the refinery is responsible for twelve percent of Aruba's GTP, and not only do they maintain a staff of 750 employees at the refinery, but are directly responsible for the income of nearly 600 workers through third parties. They are responsible for approximately $60.3 million U.S. Dollars paid in annual wage taxes. They are prepared to further do their "fair share" immediately and give up their tax holiday four years early, but with this sacrifice, they must also be able to "remain competitive in a global market," and it is their contention that the "**BBO tax threatens this simple goal**."

Mr. Klesse states that on behalf of Valero he has made the following offers to the Aruban Government:

- Valero exits their tax holiday immediately upon agreement to their proposed compromises and pays the same profit tax of 28% as any other business on Aruba.
- Valero will pay a guaranteed minimum tax annually regardless of the actual profit tax due for that year, provided they can carry forward a credit of the excess to be applied to tax payments in future years.
- Valero will be allowed to depreciate existing capital investments on a "useful life basis" and on a "ten-year life basis" for new investments.
- Valero will sttel all outstanding disputes with the Aruban Government, as well as drop their opposition to the foreign exchange commission, in exchange for a one-time payment. They propose that the payment be made as a minimum fifteen million U.S. Dollar Fund awarded to the town San Nicolaas, which will be applied to improvement of the surroundings and infrastructure. A committee of Valero and community representatives would administrate this fund.

This offer is on the condition that the Aruban Government removes the BBO on exports; finalizes a protocol for obtaining permits for their workers, and settles all other existing disputes. When questioned by the press, Mr. Klesse stated they were not asking for any special treatment, he felt that the few Aruban companies that actually export should also not be subject to taxes on their products, as they also help strengthen the economy by bringing money into the island.

Mr. Klesse reiterated that he does not know if the Aruban Government will accept this offer, "but I remain hopeful that we can resolve this situation quickly." In order to protect their contractual rights, Valero Corporation has filed a request for arbitration in the Netherlands under their terms of their present tax holiday agreement. Until the decision of the arbitrators in finalized, a process that can take up to two years, Valero has arranged to place any BBO taxes that would be exacted over that period into an escrow account, as a show of good faith.

Mr. Klesse reminded Wednesday's gathering that Valero has shown a great deal of concern over a number of issues that the refinery faces, including improving the effects on the environment of the area. Over the past three years, they refurbished and brought into operation three sulfur plants, reducing 85% of the acid gas emissions. He expressed that they "are environmentally conscientious, and are investing large amounts to improve the operation of the refinery," and they are long range plans to continue to do so.

"It is hard for people like me to accept a situation where exports are taxed," expressed Mr. Klesse. "In Aruba, we have a hardworking, dedicated work force committed to our company and the community at large. Together we can continue to make Valero Aruba Refinery a safe, reliable, and environmentally responsible operator, a first-class employer and a strong corporate partner in this community and a vibrant competitor in the world market."